



ENSLEY TOWNSHIP
NEWAYGO COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ENSLEY TOWNSHIP	County NEWAYGO
Audit Date 3/31/05	Opinion Date 5/13/05	Date Accountant Report Submitted to State: 6/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.			
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI
Accountant Signature <i>Terry Kirkpatrick, CPA</i>		ZIP 49307	Date 6-27-05

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TERRY KIRKPATRICK, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Township Board
Ensley Township, Newaygo County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ensley Township, Newaygo County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Ensley Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Ensley Township, Newaygo County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ensley Township, Newaygo County, Michigan, as of March 31, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Ensley Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ensley Township, Newaygo County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
May 13, 2005

BASIC FINANCIAL STATEMENTS

Ensley Township – Newaygo County, Michigan

Government Wide Statement of Net Assets

March 31, 2005

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 542,999
Receivables - Other Governmental Units	23,217
Capital Assets (Net)	<u>75,736</u>
Total assets	<u>\$ 641,952</u>
LIABILITIES	
Deposits Payable	\$ 1,893
NET ASSETS	
Invested in capital assets, net of related debt	75,736
Unrestricted	<u>564,323</u>
Total net assets	<u>640,059</u>
Total liabilities and net assets	<u>\$ 641,952</u>

The "Notes to Financial Statements" are an integral part of these statements.

Ensley Township – Newaygo County, Michigan
Government Wide Statement of Activities
For the Year Ended March 31, 2005

	Expenses	Program Revenues Charges for Services	Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
PRIMARY GOVERNMENT				
General Government	\$ 100,435	\$ 0	\$ 0	(100,435)
Public Safety	87,190	0	0	(87,190)
Public Works	149,605	168,555	0	18,950
Cultural and Recreation	5,067	0	0	(5,067)
Other Functions	11,763	0	0	(11,763)
Depreciation (unallocated)	3,008	0	0	(3,008)
Total primary government	\$ 357,068	\$ 168,555	\$ 0	(188,513)
General Revenues				
Property Tax, levied for general operations				55,155
State Grants				178,394
Charges for Services				28,843
Interest Earnings				3,635
Other Revenue				13,890
Total general revenues				279,917
Change in Net Assets				91,404
Net assets - Beginning of year				548,655
Net assets - End of year				\$ 640,059

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Ensley Township – Newaygo County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2005

	General Fund	Road Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 326,618	\$ 206,287	\$ 10,094	\$ 542,999
Due from Newaygo County	5,350	17,612	0	22,962
Due from Current Tax Fund	255	0	0	255
Total assets	\$ 332,223	\$ 223,899	\$ 10,094	\$ 566,216
LIABILITIES AND FUND EQUITY				
Deposits Payable	\$ 1,893	\$ 0	\$ 0	\$ 1,893
Fund Balance - Unreserved and Undesignated	330,330	223,899	10,094	564,323
Total liabilities and fund equity	\$ 332,223	\$ 223,899	\$ 10,094	\$ 566,216

Reconciliation of the Balance Sheet of Governmental Funds to
 the Statement of Net Assets

Total Governmental Fund Balances	\$ 564,323
Amounts reported for governmental activities in the statement of net assets are different because:	
Cost of capital assets, net of depreciation	75,736
Net assets of governmental activities	\$ 640,059

The "Notes to Financial Statements" are an integral part of these statements.

Ensley Township – Newaygo County, Michigan
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended March 31, 2005

	General Fund	Road Fund	Non-Major Governmental Funds	Total Government Funds
REVENUES				
Property Tax	\$ 55,155	\$ 168,555	0	\$ 223,710
Licenses and Permits	1,909	0	0	1,909
State Grants	178,394	0	0	178,394
Charges for Services	7,545	0	19,389	26,934
Interest and Rents	2,868	767	0	3,635
Other Revenue	3,367	3,665	6,858	13,890
Total revenues	249,238	172,987	26,247	448,472
EXPENDITURES				
General Government	100,435	0	0	100,435
Public Safety	63,418	0	23,772	87,190
Public Works	49,082	100,523	0	149,605
Cultural and Recreation	5,067	0	0	5,067
Other Functions	11,763	0	0	11,763
Total expenditures	229,765	100,523	23,772	354,060
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,473	72,464	2,475	94,412
Fund Balance - April 1, 2004	310,857	151,435	7,619	469,911
Fund Balance - March 31, 2005	\$ 330,330	\$ 223,899	\$ 10,094	\$ 564,323

The "Notes to Financial Statements" are an integral part of these statements.

Ensley Township – Newaygo County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to
the Statement of Activities
For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Government Funds	\$	91,404
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as
expenditures; in the statement of activities, these
costs are allocated over their estimated useful
lives as depreciation

Depreciation expense		<u>3,008</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>94,412</u></u>
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The "Notes to Financial Statements" are an integrated part of these statements.

Ensley Township – Newaygo County, Michigan

Fiduciary Fund
Statement of Net Assets
March 31, 2005

Agency Fund Type
Property Tax Collection Fund

ASSETS

Cash and Cash Equivalents

\$ 255

LIABILITIES

Due to General Fund

\$ 255

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Ensley Township – Newaygo County, Michigan

Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ensley Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ensley Township:

Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Ensley Township's property tax is levied on each December 1st on the taxable valuation of property located within Ensley Township as of the preceding December 31st.

Ensley Township – Newaygo County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

Although the Ensley Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Ensley Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2004 taxable valuation of Ensley Township totaled approximately \$56,182,000, on which ad valorem taxes levied consisted of .9115 mills for the Township operating purposes and an additional 3.000 mills for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as Due from Newaygo County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Road Fund is used to record property tax and interest for expenditures for road improvements.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports one non-major special revenue funds for a building and electrical fund.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and are considered delinquent on March 1st of the following year, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
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Ensley Township – Newaygo County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 542,999

The bank balance of the primary government's deposits is \$545,913, of which \$310,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Road Millage	Non-Major	Total
Taxes receivable	\$ 5,605	\$ 17,612	\$ 0	\$ 23,217

Ensley Township – Newaygo County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings	\$ 204,766	\$ 0	\$ 0	\$ 204,766
Less Accumulated depreciation for Capital assets	(126,022)	(3,008)	(0)	(129,030)
Net capital assets	\$ 78,744	\$ (3,008)	\$ 0	\$ 75,736

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE G – INTERFUND RECEIVABLES and PAYABLES

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 255

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Ensley Township – Newaygo County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 310,857	\$ 310,857	\$ 310,857	\$ 0
Resources (inflows)				
Property Tax	48,096	48,096	55,155	7,059
Licenses and Permits	3,500	3,500	1,909	(1,591)
State Grants	183,970	183,970	178,394	(5,576)
Charges for Services	4,500	4,500	7,545	3,045
Interest and Rents	2,000	2,000	2,868	868
Other Revenue	3,840	3,840	3,367	(473)
Amounts Available for Appropriation	556,763	556,763	560,095	3,332
Changes to Appropriations (outflows)				
General Government				
Township board	32,025	32,025	24,685	7,340
Supervisor	7,965	7,965	7,464	501
Elections	3,725	3,725	3,718	7
Assessor	20,670	20,670	20,178	492
Clerk	10,450	10,450	10,092	358
Board of review	875	875	687	188
Treasurer	15,950	15,950	15,817	133
Townhall	7,300	7,300	4,859	2,441
Cemetery	14,300	14,300	12,935	1,365
Public Safety				
Fire protection	43,621	43,621	34,177	9,444
Police protection	15,500	15,500	15,494	6
Building and zoning	10,850	10,850	9,998	852
Planning	6,150	6,150	3,749	2,401
Public Works				
Highways, streets & bridges	47,950	47,950	47,513	437
Public Drain	0	0	1,486	(1,486)
Street lighting	100	100	83	17
Cultural Recreation				
Parks	5,250	5,250	5,067	183
Other Functions				
Insurance and Bonds	7,600	7,600	6,393	1,207
Social security/ medicare tax	1,500	1,500	1,374	126
Retirement	4,000	4,000	3,996	4
Contingencies	10,125	10,125	0	10,125
Total Charges to Appropriations	265,906	265,906	229,765	36,141
Budgetary Fund Balance - March 31, 2005	\$ 290,857	\$ 290,857	\$ 330,330	\$ 39,473

Ensley Township – Newaygo County, Michigan

Budgetary Comparison Schedule

Road Fund

For the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 151,435	\$ 151,435	\$ 151,435	\$ 0
Resources (inflows)				
Property Tax	151,283	151,283	168,555	17,272
Interest and Rents	500	500	767	267
Other Revenue	2,000	2,000	3,665	1,665
Amounts Available for Appropriation	305,218	305,218	324,422	19,204
Charges to Appropriations (outflows)				
Public Works				
Highways, Streets, and Bridges	153,783	153,783	100,523	53,260
BUDGETARY FUND BALANCE - March 31, 2005	\$ 151,435	\$ 151,435	\$ 223,899	\$ 72,464

OTHER SUPPLEMENTAL INFORMATION

Ensley Township – Newaygo County, Michigan

Balance Sheet

Non-Major Governmental Funds

March 31, 2005

Building and
Electrical Fund

ASSETS

Cash and Cash Equivalents

\$ 10,094

LIABILITIES AND FUND EQUITY

Fund Balance

Unreserved and undesignated

\$ 10,094

Ensley Township – Newaygo County, Michigan
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-Major Governmental Fund
 For the Year Ended March 31, 2005

	<u>Building and Electrical Fund</u>
REVENUES	
Charges for Services	\$ 19,389
Other Revenues	<u>6.858</u>
Total revenues	26,247
EXPENDITURES	
Public safety	<u>23,772</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,475
FUND BALANCE - April 1, 2004	<u>7,619</u>
FUND BALANCE - March 31, 2005	<u><u>\$ 10,094</u></u>

TERRY KIRKPATRICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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BIG RAPIDS, MICHIGAN 49307-0817
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FAX (231) 796-5554

May 13, 2005

Members of the Township Board
Ensley Township
Newaygo County, Michigan

I have recently completed my audit of the basic financial statements of Ensley Township for its year ended March 31, 2005. During this audit, I had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of my auditing procedures, there are some comments I want to present.

FINANCIAL RECORDS IN GOOD ORDER

The Township Clerk and Treasurer appear to have done a very good job of maintaining the financial records of Ensley Township again this year. Keep up the good work.

MUNICIPAL FINANCE QUALIFYING STATEMENT

Enclosed is a form that should be completed and mailed to the Local Audit and Finance Division of the Michigan Department of Treasury. This form should assist the Township in obtaining approval for obtaining outside financing in the event it becomes necessary.

OTHER MATTERS

I want to thank your personnel for the courtesy and cooperation shown me by them during the audit.

I have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact me.

Terry Kirkpatrick, CPA, P.C.